In the Supreme Court of the United States

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OCTOBER TERM, 1969

No. 1351

DEERING MILLIKEN, INC.,
Petitioner,

vs.

KORATRON COMPANY, INC.,
Respondent.

Brief for Respondent in Opposition to Petition for Writ of Certiorari

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OPINIONS BELOW

The opinion of the Court of Appeals is reported in 418 F.2d 1314 and appears as Appendix A to the petition. The District Court wrote no opinion.

JURISDICTION

The District Court's jurisdiction was based on diversity of citizenship, 28 U.S.C. § 1332. The Court of Appeals had jurisdiction under 28 U.S.C. § 1292(b). This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

QUESTION PRESENTED

Petitioner states that the question is whether a patentee may avoid the exclusive jurisdiction conferred upon the federal courts by 28 U.S.C. § 1338(a) by casting a claim for infringement in the form of a claim under state law for interference with contractual relations. No such question, no question at all of *juris-*

diction, was presented to or decided by the court below. None can be present because the case is in a federal court.

The case came to the court below on an interlocutory appeal under 28 U.S.C. § 1292(b), and the only question on which that appeal was allowed was one of *venue.* In the words of the District Court's certifying order,

> "This order involves a controlling question of law as to whether venue is well and properly laid in this district. . . ." (Petition, p. C 3)

The venue question is this: where a plaintiff alleges a common law cause of action for interference with business expectations recognized by state law and not in conflict with any federal law, suing in a federal court on diversity of citizenship, may a defendant tear the case from plaintiff and denominate it a patent infringement case on the theory that plaintiff might have asserted such a case had it chosen to do so, and thereby oust the general venue statute in favor of the special patent infringement venue statute?

STATEMENT OF THE CASE

Respondent ("Koratron") owns patents covering a process for making "permanent press" garments and has licensed the process to over 200 garment makers in the United States. Petitioner does not make garments and is not charged with using Koratron's process. It is a textile mill making fabrics which are suitable for use in manufacturing permanent press garments.

Koratron sued petitioner in a federal court, solely on diversity of citizenship, alleging that petitioner was publicly advising garment makers that they can avoid obligation to Koratron by making their permanent press garments from certain of petitioner's fabrics although in all other respects practicing the Koratron process. The gist of the complaint was the common law cause of action for inducing Koratron licensees to breach their contracts with Koratron by not paying the agreed royalty. (Pet. App. D.)

In an amendment to its complaint, Koratron included an 8 line paragraph to the effect that petitioner's same conduct was

also affecting non-licensees. The gist of this claim was the common law tort, recognized in California, of interference with Koratron's business expectancies, viz., the expectancy of obtaining licensees. (Petition, App. E.)

Petitioner moved to dismiss for lack of venue. It conceded that the amended complaint did not purport to charge patent infringement but argued that the facts referred to in the amendment *would* support a claim for inducement of patent infringement under 35 U.S.C. § 271(b) and was therefore to be deemed a suit for infringement, and consequently that venue was governed by 28 U.S.C. § 1400(b), and not by the general venue statute, 28 U.S.C. § 1391(a), under which venue was well laid.

The motion was denied, an interlocutory appeal was taken under 28 U.S.C. § 1292(b), and the Court of Appeals affirmed.

DISCUSSION

The writ should be denied for the following reasons.

1. The petition states as the question presented one relating to jurisdiction. No such question came before the court below (see pp. 1, 2, *supra*). This Court does not grant certiorari to review questions not presented below. *Federal Trade Comm. v. Traveler's Health Ass'n.*, 362 U.S. 293, 299, fn. 4 (1960).

2. No conflict among the circuits is claimed, nor is there any conflict with any decision of this Court. On the contrary, the decision below is in accord with 120 years of decisions of this Court.

Koratron's original complaint presented a claim under state law of which the federal court had jurisdiction solely by reason of diversity. The complaint did not charge petitioner with patent infringement or inducing infringement, and the facts alleged could not possibly support any such claim. The charge was that petitioner was inducing licensees not to pay royalties. A licensee who fails to pay the agreed royalty breaches his contract, but he is not a patent infringer, for the license authorizes him to use the invention, but an infringer is one who *"without authority* makes, uses or sells any patented invention. . . ." 35 U.S.C. § 271(a). The

fact that the subject of a contract is a patent, and that determination of whether defendant was inducing breach of contract would involve determination of the scope of the patent, does not make the case one arising under the patent laws within 28 U.S.C. § 1338. A case is not a "patent case" because it may involve "patent questions". *Wilson v. Sanford*, 51 U.S. (10 How.) 99 (1850); *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255 (1897); *New Marshall Engine Co. v. Marshall Engine Co.*, 223 U.S. 473, 478 (1912); *Geneva Furniture Mfg. Co. v. S. Karpen & Bros.*, 238 U.S. 254 (1915); *American Well Works Co. v. Layne and Bowler Co.*, 241 U.S. 257, 259-60 (1916); *Luckett v. Delpark*, 270 U.S. 496 (1926). In the *Geneva Furniture* case the second count of the complaint charged that the defendants had induced the plaintiff's licensees to breach their patent license agreements, exactly the sort of claim Koratron made here.

Petitioner seized on the amendment to the complaint to sustain its motion. The amendment added that petitioner's "claims as to the scope of Koratron's patent include the claim that non-licensees of Koratron will escape being guilty of infringement of the patent. . . ." (Petition, App. E 2.) That grievance is that petitioner's conduct lessened Koratron's chances of signing licenses with these garment makers. The legal foundation of the claim is the common law of interference with prospective business advantages. Adjudication of that claim is wholly ancillary to the claim for inducing breach of contract by licensees. In order to decide whether petitioner has induced breach of the licenses, a court must decide whether use of the fabrics falls within the scope of a valid patent, and once a court has decided that, it will have decided most of the facts essential to the added claim of interference with the expectancy of licensing non-licensees. On precisely this basis of judicial economy, this Court has established the doctrine of pendent jurisdiction, *Hurn v. Oursler*, 289 U.S. 238 (1933), *United Mine Workers v. Gibbs*, 383 U.S. 715 (1966). Koratron could delete the amendment and proceed on the original complaint; if it did so and obtained judgment, that judgment would be conclusive against petitioner on the basic facts in any later action

involving the claim relative to non-licensees, under elementary rules of collateral estoppel. *Commissioner v. Sunnen,* 333 U.S. 591, 597-8 (1948); *Vandereer v. Erie Malleable Iron Co.,* 238 F.2d 510, 514 (6 Cir. 1956), *cert. den.* 353 U.S. 937 (1957). Such circuity and multiplicity of action are against the spirit of contemporary procedure.*

The contention that the claim added by amendment must be treated as a patent infringement claim is contrary to law long settled by this Court. Even assuming that the facts pleaded could support a claim of inducing patent infringement,** Koratron did not choose to charge patent infringement. It chose to invoke state law. It was free to invoke one body of law instead of another, for a plaintiff is the "master of his claim," *Pan American Corp. v. Superior Court,* 366 U.S. 656, 662-63 (1961), a rule that has been frequently stated in a patent context, as in *Luckett v. Delpark,* 270 U.S. 496, 508-9 (1926):

> " '[T]he plaintiff is absolute master of what jurisdiction he will appeal to. . . . Jurisdiction generally depends upon the case made and relief demanded by the plaintiff.' "

To the same effect, *Henry v. A.B. Dick Co.,* 224 U.S. 1, 14-15 (1912), and *The Fair v. Kohler Die Co.,* 228 U.S. 22, 25 (1913), where this Court said:

> "Of course the party who brings the suit is master to decide what law he will rely upon and therefore does determine whether he will bring a 'suit arising under' the patent or other laws of the United States by his declaration or bill."

**United Mine Workers v. Gibbs,* supra at 724: "Under the Rules, the impulse is toward entertaining the broadest possible scope of action consistent with fairness to the parties; joinder of claims, parties and remedies is strongly encouraged."

***In fact they do not. The amended complaint did not allege that petitioner's conduct had yet resulted in inducing anyone to infringe. Inducement of infringement is a part of the doctrine of contributory infringement, and *Aro Mfg. Co. v. Convertible Top Co.,* 365 U.S. 336, 341 (1961) confirms that for there to be "contributory infringement there must *first be a direct infringement.*" *Fromberg v. Thornhill,* 315 F.2d 407, 411 (5th Cir. 1963). No claim for inducement can be maintained unless the conduct has in fact culminated in a direct infringement.

The assertion in the petition that "federal patent law is threatened with disintegration into 50 different state bodies of law" is baseless hyperbole. It ignores the observation of the court below that this is *not* a case where state law would give substantive rights that federal law would deny. Here any rights under state law exist only if, under federal law, the scope of Koratron's patent is as Koratron claims. By appealing to state law Koratron may have to establish more than had it appealed to federal law; it cannot prevail by establishing less.

A further observation is in order. As the opinion below states, one day after Koratron filed this suit petitioner sued Koratron in a federal court in New York raising the same issues. That case has been transferred under 28 U.S.C. § 1407 to the District Court where this action is pending by the Multidistrict Litigation Panel, *In Re Multidistrict Patent and Antitrust Litigation Involving Koratron*, 302 F. Supp. 239 (1969). It is now being processed along with this case. Petitioner's continued effort to press its motion serves no purpose but delay.

CONCLUSION

We respectfully submit that the petition should be denied.

Dated: San Francisco, California, April 21, 1970.

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